

1 Terry Goddard
Attorney General
2 (Firm State Bar No. 14000)
DENA ROSEN EPSTEIN
3 Assistant Attorney General
State Bar No. 015420
4 REBECA HOEFFER
State Bar No. 027531
5 Office of the Attorney General
1275 West Washington Street
6 Phoenix, AZ 85007-2926
Telephone: (602) 542-7725
7 Facsimile: (602) 542-4377
Consumer@azag.gov

8 Attorneys for Plaintiff
9

10 **IN THE SUPERIOR COURT OF THE STATE OF ARIZONA**

11 **IN AND FOR THE COUNTY OF MARICOPA**

12 STATE OF ARIZONA, *ex rel.* TERRY
GODDARD, Attorney General,

13 Plaintiff,

14 vs.
15

16 THE GUARDIAN GROUP, LLC, an Arizona
limited liability company; BRYAN PREHODA
and CHRISTY PREHODA, husband and wife;
17 and LUIS BELEVAN and JANE DOE
BELEVAN, husband and wife; and JOSE
18 CARREON and JANE DOE CARREON,
husband and wife,

19 Defendants.
20

Case No.: CV 2010-022486

**COMPLAINT FOR
INJUNCTIVE AND OTHER RELIEF
(Unclassified Civil)**

21 For its complaint, Plaintiff, the State of Arizona upon the relation of Terry Goddard, Attorney
22 General ("the State"), alleges as follows:

23 **INTRODUCTION**

24 Guardian Group, LLC ("Guardian Group") is located in Scottsdale, Arizona and
25 represented itself as providing principal loan reduction services to homeowners struggling to make
26 their mortgage payments. The State alleges that Guardian Group and its principals violated the

COPY

JUL 27 2010



MICHAEL R. JAMES, CLERK
J. GARCIA
DEPUTY CLERK

1 Arizona Consumer Fraud Act, Arizona Revised Statutes ("A.R.S.") § 44-1521 et seq., as set forth
2 more fully below.

3 JURISDICTION AND VENUE

4 1. This action is brought pursuant to the Arizona Consumer Fraud Act to obtain injunctive
5 relief to prevent the unlawful acts and practices alleged in this Complaint and other relief, including
6 restitution, civil penalties, costs of investigation and attorney's fees.

7 2. This Court has jurisdiction to enter appropriate orders both prior to and following a
8 determination of liability pursuant to the Arizona Consumer Fraud Act.

9 3. Venue is appropriate in Maricopa County pursuant to A.R.S. § 12-401.

10 PARTIES

11 4. Plaintiff Terry Goddard is the Attorney General of Arizona.

12 5. Defendant Guardian Group, LLC is an Arizona limited liability company whose
13 principal address is at 7150 E. Camelback Road, Suite 400, Scottsdale, Arizona 85251. Guardian
14 Group began operations in August 2009 offering principal loan reduction services. At various times,
15 Guardian Group maintained other offices at 3240 E. Union Hills Dr., Phoenix, AZ 85050 and 8300 E.
16 Raintree Dr. Suite 105, Scottsdale, Arizona 85260.

17 6. Defendant Bryan Prehoda is a member and owner of Guardian Group. As a member and
18 owner of Guardian Group, Defendant Prehoda, with actual and/or constructive knowledge, approved,
19 endorsed, directed, ratified, controlled or otherwise participated in the illegal acts and practices alleged
20 herein. Defendant Prehoda also served as Chief Financial Officer of Guardian Group.

21 7. Defendant Christy Prehoda was married to Bryan Prehoda at all relevant times and is
22 named solely for her interest in the marital community, not for any act or omission on her part.

23 8. Defendant Luis Belevan is a member and owner of Guardian Group. As a member and
24 owner of Guardian Group, Defendant Belevan, with actual and/or constructive knowledge, approved,
25 endorsed, directed, ratified, controlled or otherwise participated in the illegal acts and practices alleged
26 herein. Defendant Belevan also served as President of Guardian Group.

9. Defendant Jane Doe Belevan is named solely for any interest she may have in the marital community in the event Luis Belevan was or is married.

10. Defendant Jose Carreon is a member and owner of Guardian Group. As a member and owner of Guardian Group, Defendant Carreon, with actual and/or constructive knowledge, approved, endorsed, directed, ratified, controlled or otherwise participated in the illegal acts and practices alleged herein.

11. Defendant Jane Doe Carreon is named solely for any interest she may have in the marital community in the event Jose Carreon was or is married.

FACTUAL BACKGROUND

12. Guardian Group's advertisements targeted homeowners facing financial hardship and struggling to meet their monthly mortgage payments. Guardian Group advertised that its Principal Reduction Program would prevent foreclosure and turn homeowners' negative equity in their homes into positive equity.

13. Guardian Group represented itself as a provider of mortgage loan refinancing services to consumers. Guardian Group represented to consumers that they would negotiate with homeowner's lenders to arrange for a third party investor to purchase the consumer's note (in a package consisting of multiple notes) at a reduced rate. Guardian Group represented that it would then modify the rates and terms of the consumer's mortgage loans and would reduce the principal owed by the consumer to an amount less than the current value of the home. Guardian Group represented that it had potential investors willing to invest millions of dollars in the program.

14. Guardian Group advertised on the Internet through its Web site located at www.guardiangroupfund.com (as of April 20, 2010). At all times relevant hereto, Guardian Group included the following statements on its Web site:

"Benefits of the Principal Reduction Program: Monthly Mortgage Payment reduced by 25%-50%."

"So you will get all of the negative equity reduce, receive 10% instant equity, a lower

1 monthly payment and a 30 year fixed rate mortgage.”

2 “We will refinance the note to the homeowner at 90% of current market value.”

3 15. Guardian Group marketed its program through a large number of referring agents and
4 affiliates, who solicited consumers to join the program. These agents signed a “Referral Agreement”
5 which states,

6 “IF Referring Agent advises client NOT to pay The Guardian Group LLC, [Guardian] will
7 fine the Agent \$5,000.00 plus any additional costs that may occur from the collection of the
8 debt for damages and liabilities.”

9 16. For referring a consumer to Guardian Group, a Referring Agent received five hundred
10 dollars (\$500) from the fee the consumer paid to Guardian Group.

11 17. Guardian Group typically charged consumers a fee of \$1,595.00 for mortgage loan
12 refinancing or principal reduction services, for each individual property a consumer requested.

13 18. Guardian Group collected multiple fees from consumers for processing multiple
14 mortgage loan applications for separate properties.

15 19. Beginning in or around August 2009, Guardian Group collected fees from over 2,500
16 consumers for enrollment in the principal reduction program.

17 20. Guardian Group represented to consumers, their agents, and affiliates that they had “\$5
18 billion allocated for the Principal Reduction Program” from investors prepared to purchase multiple
19 mortgage notes at a time.

20 21. Despite several meetings with numerous potential investors, not one of the investors
21 actually invested money with Guardian Group.

22 22. Guardian Group only refinanced the mortgages of five consumers. In all five of the
23 mortgages that Guardian Group refinanced, the note was purchased by Guardian Group and never sold
24 to a third party investor.

25 23. Guardian Group represented to some consumers that their principal reduction service
26 should take between 60 and 90 days to complete.

24. Consumers often waited longer than 60 to 90 days while Guardian Group claimed to be working on refinancing their loans, but upon contacting their lenders they discovered that little or no progress had been made.

25. Guardian Group promised multiple dissatisfied consumers a full or partial refund of the fees charged, but often failed to issue the promised refunds.

26. As of July 12, 2010, the Arizona Attorney General's office has received over five hundred (500) complaints from consumers who paid fees to Guardian Group but had not had their loan refinanced.

27. On May 5, 2010, Arizona Department of Financial Institutions issued a Cease and Desist Order against Guardian Group for acting as a mortgage broker without obtaining a mortgage broker license.

CLAIM FOR RELIEF

Consumer Fraud Act, A.R.S. § 44-1521, et seq.

Plaintiff re-alleges the prior allegations of this Complaint as though fully set forth herein.

28. Guardian Group, LLC, Defendant Prehoda, Defendant Belevan, and Defendant Carreron (“Defendants”) engaged in the use of deception, deceptive acts or practices, fraud, false pretense, false promise, misrepresentation, or concealment, suppression or omission of any material fact with intent that others rely upon such concealment, suppression or omission, in connection with its advertisement or sale of services. Such acts and practices include, but are not limited to, the following:

a. Misrepresenting the services that a consumer in the Principal Reduction Program could expect to receive and Guardian Group's ability to provide those services;

b. Misrepresenting to consumers that Guardian Group had multiple investors prepared to purchase mortgage notes, when no actual investors had ever invested money in Guardian Group.

c. Misrepresenting the time Guardian Group would require to process a file, declaring that it would take 60-90 days when in actuality files would take much longer-or would not be processed at all;

1 d. Deceiving unsatisfied consumers by promising the consumer a refund while not
2 intending or being unable to provide a refund;

3 29. At all times relevant to this Complaint, Defendants Guardian Group, Prehoda, Belevan,
4 and Carreron acted willfully, in violation of A.R.S. § 44-1531.

5 **PRAYER FOR RELIEF**

6 Wherefore, Plaintiff respectfully requests that the Court:

7 30. Enter an injunction against Defendants prohibiting them from engaging in the unlawful
8 acts and practices alleged in this Complaint and from doing any acts in furtherance of such acts and
9 practices, pursuant to A.R.S. §§ 44-1528;

10 31. Order Defendants to restore to all persons any money and property acquired by any
11 unlawful means or practices alleged in the Complaint, as deemed appropriate by the Court pursuant to
12 A.R.S. § 44-1528;

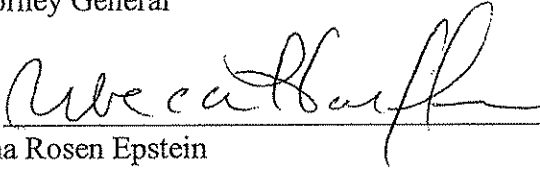
13 32. Order Defendants to pay to the State of Arizona a civil penalty of up to \$10,000 for each
14 willful violation of the Consumer Fraud Act, pursuant to A.R.S. § 44-1531;

15 33. Order Defendants to pay the State of Arizona its costs of investigation and prosecution
16 of this matter, including reasonable attorneys' fees, pursuant to A.R.S. §§ 44-1534; and

17 34. Such other and further relief as the Court deems just and proper.

18 RESPECTFULLY SUBMITTED this 27 day of July, 2010.

19 TERRY GODDARD
20 Attorney General

21 By: 
22 Dena Rosen Epstein
23 Rebeca Hoeffler
24 Assistant Attorneys General

25 #881332
26